December 1, 2021

The Honorable Joseph Rafferty, Senate Chair
The Honorable Michael Brennan, House Chair
Joint Standing Committee on Education and Cultural Affairs
100 State House Station
Augusta, ME 04333

Dear Senator Rafferty, Representative Brennan, and members of the Joint Standing Committee on Education and Cultural Affairs,

As required by LD 1152, Maine Maritime Academy has conducted a review of the level of student debt at the Academy and has strategized what we would need for resources to 1)Limit student debt to the maximum allowable federal direct subsidized and direct unsubsidized loans over a 4-year period; 2) Eliminate the gap in funding that exists between the expected family contribution and the sum of the average financial aid award provided to a student by the postsecondary educational institution, with reference to the affordability gap analysis conducted for the Commission To Study College Affordability and College Completion established by Resolve 2013, chapter 109; and 3) Meet the financial need of their students in their financial aid awards.

Review of the level of student debt at Maine Maritime Academy

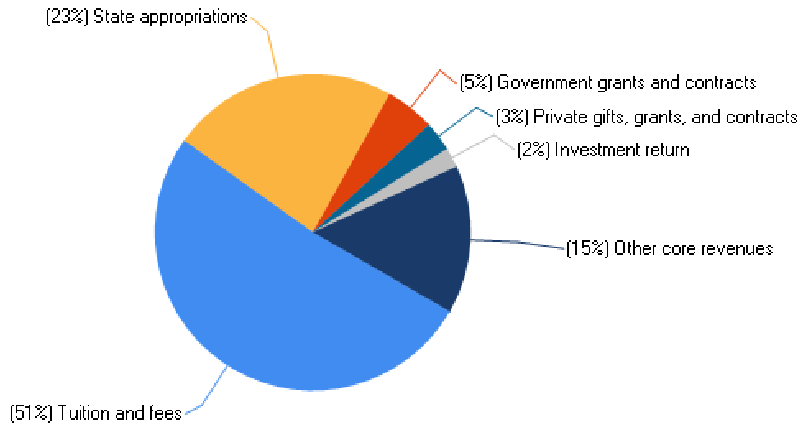
Cost of Attendance for Maine residents:

Direct Costs (tuition, room & board, and fees)

- Unlimited license majors: $32,722 (note that unlimited license majors are required under Federal regulation to acquire time at sea aboard our training ship and on commercial ships. This results in a 3rd academic session each summer. Thus students in these majors matriculate for three semesters a year unlike the traditional two semesters at other colleges)
- All other majors: $22,230

The costs to provide an education at MMA are higher than other institutions of higher education due to the nature of the coursework – highly hands-on, with high faculty to student ratios, in laboratories requiring specialized equipment, including boats and ships. Students in the unlimited license majors study year round, with an extra summer semester spent at sea.

MMA receives 22-23% of our operating budget from state allocations annually. A breakdown of the funding sources is pictured in the graph below:



In comparison, Massachusetts Maritime receives 38%, SUNY Maritime receives 55% and California receives 65% in state appropriations, as published in the Integrated Postsecondary Education Data System (https://nces.ed.gov/ipeds/). Consequently, each of these other institutions are able to offer essentially the same program with tuition costs well below that which can be offered by Maine Maritime Academy.

Scholarship Aid

In comparison to Maine institutions with substantial endowments or larger institutions able to offer a higher discount rate due to size, scholarship funding is limited at MMA. Institutional merit aid is budgeted at $410,000 annually. This does not allow the institution to award merit to all applicants who qualify; instead, only those who apply early, generally by November 15th, are awarded merit aid. Funding merit aid for those who apply by January 1st would require an additional $700,000 annually. Funding it through the entire admissions cycle would require approximately $1 million more annually.

Currently the only need-based aid MMA offers is the Curtis grant to Maine students who had an EFC of $7000 or less. This is a $2000 grant that is offered only to first year students. In most years, MMA is only able to award this to half of those students who qualify to receive it, as the allocation is limited to the annual disbursement from this endowed fund. No other need-based aid is available.

$1.2 million in endowed scholarship aid was awarded to students in FY22, including the Curtis grant.

Debt

The maximum allowable federal loan debt is $31,000 undergraduate total (for dependent students) and $57,000 for those who are independent of parents. This is calculated based on the assumption of completion of a degree in 4 years. Maine Maritime Academy has two signature 5-year programs – in Marine Systems Engineering and Ocean Science/Marine Biology and Small Vessel Operations.

The average loan debt for the Class of 2021 is $55,687. Thus, one can extrapolate that the average private loan debt for MMA students is $24,687 (subtracting the maximum federal loan debt from the average total loan debt). This is based on a mix of in and out of state students who have differing costs of attendance. We do not currently disaggregate the debt based on residency.

When charting the loan debt of MMA students as a function of Estimated Family Contribution (EFC), past analysis has shown that the families with the highest ability to pay often take out the most loans. Many see this as a wise financial strategy given the low interest rates of federal loans. Alternately, students with a low EFC may not be able to qualify for private loans due to poor credit scores or high debt to income ratios. While this may be a wise practice based on overall American student repayment data, MMA students have higher starting salaries and ability to repay due to the STEM fields they enter.

W*orth/Placement*

Ninety percent of MMA graduates are employed in their field within 90 days of graduation. These positions in the maritime industry have starting salaries much higher than most recent college graduates earn. In fact, MMA has been cited often in publications and reports, including recently in a prestigious Georgetown University report that ranked MMA the 6th in the country for return on the higher education investment. Thus, graduates are able to repay federal and private loans and most consider their investment in loans worth the payoff. The loan default rate at MMA in the past five years had remained lower than 2.5% as compared to the national average of 7.3% for the most recent year.

Best Practices and Recommendations for Reform

What would MMA need to:

1. Limit student debt to the maximum allowable federal direct subsidized and direct unsubsidized loans over a 4-year period; *To limit student debt to the maximum allowable federal loans, the institution would need to provide need-based aid to cover what students are currently borrowing in private loans. Based on the $24,687 average private loan debt, multiplied by 950 students, meeting this goal would require additional funding of $23,452,650 per year. If the goal is intended to meet the needs of Maine students only, additional funding of $15,009,696 per year would be necessary. This amount would need to increase in accordance with annual tuition, room and board and fee increases each year.*

2. Eliminate the gap in funding that exists between the expected family contribution and the sum of the average financial aid award provided to a student by the postsecondary educational institution, with reference to the affordability gap analysis conducted for the Commission to Study College Affordability and College Completion established by Resolve 2013, chapter 109; *The affordability gap analysis cited in item 2 was not completed for MMA when the Commission last met. This gap is obviously lower than the information cited above regarding the average private loan. As noted earlier, some families borrow federal and private loans even when they have a higher EFC and no gap between the award and EFC. More detailed analysis is needed to quantify what this gap would be for Maine residents.*
   and

3. Meet the financial need of their students in their financial aid awards. *MMA does not currently have the funding to award need-based aid to meet the need/bridge the affordability gap. While as noted above, most students can repay their loans due to their high salaries after graduation, some cannot qualify for the loans necessary to bridge the gap. Other prospective students who are accepted do not enroll because they cannot bridge the gap. Thus, additional funding for need-based aid is the most critical need for MMA to address the college affordability/completion priorities of the Commission.*

MMA endowed scholarship funds doubled from $20 million to $41 million since 2017. The annual allocation of endowed scholarship funds increased from $750,000 in FY2018 to $1.2 million in FY22. Since 2015, 48 new endowed scholarships with a minimum gift of $25,000 have been established. However, even with these scholarships, student loan debt has averaged above $50,000 for the last several years. While the academy is launching a new capital campaign largely focused on increasing scholarship funds, these funds would not be immediately available to new students. Thus, the options to close the affordability gap are:

1. to increase tuition, in effect discounting the education for students with higher need by charging those able to pay a higher rate than actual costs. Given the already high cost of tuition, this approach could negatively impact enrollment.
2. to substantially increase the Maine State grant as well as raise the maximum EFC level to qualify for the grant. While this can help close the gap for the neediest Maine students, and the recent $1000 increase in the Maine state grant is a huge step forward, $2500 is far from the $24,687 estimate of the average gap of Maine students attending MMA. In addition, the current EFC cut-off is approximately $7000 – which eliminates many Maine residents caught in the below $10,000 range – who rarely have the actual savings to cover the EFC determined by the federal calculation of ability to pay.
3. to increase MMA's state allocation. Increasing state appropriations to levels of the past – state allocations accounted for 50% of MMA's operating budget in 2001 - or the much higher percentages provided by Massachusetts or New York to our sister maritime academies would significantly reduce the affordability gap and meet the goals of the Commission.

The Academy's representative to the Commission, Dr. Elizabeth True, can discuss this report and these recommendations in more detail and she or I are happy to answer any questions raised by the report. We look forward to working with the legislature on strategies to provide access to the quality educational and career opportunities offered by Maine Maritime Academy to all Maine students interested in pursuing a maritime career.

Sincerely,

Dr. William J. Brennan,
President